



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

THOMAS L. TAGLAUER, CPA
ROBERT E. LIST, CPA
STEWART J. REID, CPA
MICHAEL L. HANISKO, CPA
DAVID D. QUIMBY, CPA
KATHLYN M. ENGELHARDT, CPA
RENAE M. CLEVINGER, CPA
AMY L. RODRIGUEZ, CPA

WALTER G. WEINLANDER, CPA
ROY A. SCHAIRER, CPA
JAMES L. WHALEY, CPA
JEROME L. YANTZ, CPA
PHILIP T. SOUTHGATE, CPA
ROBERT J. DUYCK, CPA

VILLAGE OF FORESTVILLE
FORESTVILLE, MICHIGAN

FINANCIAL STATEMENTS
FEBRUARY 29, 2004

1600 CENTER AVENUE
POST OFFICE BOX 775
BAY CITY, MI 48707-0775
989-893-5577
800-624-2400
FAX 989-895-5842
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE
GLADWIN AND WEST BRANCH

RSM McGladrey Network

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Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Village of Forestville	County Sanilac
Audit Date 2/29/04	Opinion Date 10/6/04	Date Accountant Report Submitted to State: November 1, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

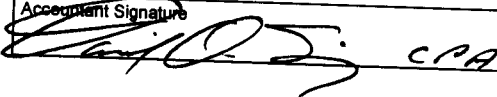
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓
			✓

Certified Public Accountant (Firm Name) Weinlander Fitzhugh			
Street Address 1600 Center Avenue		City Bay City	State MI
Accountant Signature 		ZIP 48708	Date 11/1/04

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WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITORS' REPORT

October 6, 2004

Village Council
Village of Forestville
Forestville, Michigan

We have audited the accompanying general purpose financial statements of the Village of Forestville, Michigan as of and for the year ended February 29, 2004, as listed in the index. These general purpose financial statements are the responsibility of the Village's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 2, the general purpose financial statements referred to in the first paragraph do not include financial statements of the General Fixed Assets Group of Accounts which should be included to conform with U.S. generally accepted accounting principles. The amount that should be recorded in the General Fixed Assets Group of Accounts is not known.

In our opinion, except for the effects on the general purpose financial statements of the omission described in the preceding paragraph, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Village of Forestville, Michigan as of February 29, 2004, and the results of its operations for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated October 6, 2004, on our consideration of the Village of Forestville, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

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Village of Forestville
Combined Balance Sheet -
All Fund Types and Account Groups
February 29, 2004

	Fund Types			Proprietary Fund Type	Account Group	Totals
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Enterprise</u>	<u>General Long- Term Debt</u>	<u>(Memorandum Only)</u>
<u>ASSETS</u>						
Cash and investments	\$ 120,981	\$ 100,661	\$ 223,018	\$ 104,863	\$ 0	\$ 549,523
Accounts receivable	0	0	0	4,478	0	4,478
Due from State	1,816	4,823	0	0	0	6,639
Restricted assets - investments	0	0	0	22,211	0	22,211
Amount to be provided for retirement of general long-term debt	0	0	0	0	300,000	300,000
Fixed assets - net of accumulated depreciation	0	0	0	2,055,242	0	2,055,242
Total Assets	\$ 122,797	\$ 105,484	\$ 223,018	\$ 2,186,794	\$ 300,000	\$ 2,938,093
<u>LIABILITIES AND FUND EQUITY</u>						
<u>Liabilities</u>						
Accounts payable	\$ 1,713	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,713
Accrued liabilities	462	0	0	132	0	594
Notes payable	0	0	0	0	300,000	300,000
Bonds payable	0	0	0	454,000	0	454,000
Deferred revenue	0	0	0	1,314	0	1,314
Total liabilities	2,175	0	0	455,446	300,000	757,621
<u>Fund Equity</u>						
Contributed capital	0	0	0	1,636,250	0	\$ 1,636,250
Retained earnings:						
Reserved	0	0	223,018	40,285	0	263,303
Unreserved	0	0	0	54,813	0	54,813
Fund balance:						
Unreserved - undesignated	120,622	105,484	0	0	0	226,106
Total fund equity	120,622	105,484	223,018	1,731,348	0	2,180,472
Total Liabilities and Fund Equity	\$ 122,797	\$ 105,484	\$ 223,018	\$ 2,186,794	\$ 300,000	\$ 2,938,093

See accompanying notes to financial statements.

Village of Forestville
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances -
All Governmental Fund Types
For the Year Ended February 29, 2004

	Governmental Fund Types			Total (Memorandum Only)
	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	
<u>Revenues</u>				
Taxes and special assessments	\$ 66,295	\$ 0	\$ 182,043	\$ 248,338
Licenses and permits	300	0	0	300
State shared revenue	11,104	25,936	0	37,040
Interest	672	991	1,510	3,173
Other revenue	8,643	11,845	0	20,488
Total revenues	<u>87,014</u>	<u>38,772</u>	<u>183,553</u>	<u>309,339</u>
<u>Expenditures</u>				
Legislative	18,559	0	0	18,559
General government	30,916	0	0	30,916
Public safety	2,976	0	0	2,976
Public works	12,006	27,099	0	39,105
Other	9,365	0	0	9,365
Capital outlay	15,673	0	171,933	187,606
Total expenditures	<u>89,495</u>	<u>27,099</u>	<u>171,933</u>	<u>288,527</u>
Excess of revenues over (under) expenditures	<u>(2,481)</u>	<u>11,673</u>	<u>11,620</u>	<u>20,812</u>
<u>Other Financing Sources (Uses)</u>				
Proceeds from bond anticipation notes	0	0	300,000	300,000
Operating transfers in	88,602	1,850	0	90,452
Operating transfers out	0	(1,850)	(88,602)	(90,452)
Total other financing sources (uses)	<u>88,602</u>	<u>0</u>	<u>211,398</u>	<u>300,000</u>
Excess of revenues and other financing sources over expenditures and other financing uses	86,121	11,673	223,018	320,812
Fund Balances, March 1, 2003	<u>34,501</u>	<u>93,811</u>	<u>0</u>	<u>128,312</u>
Fund Balances, February 29, 2004	<u>\$ 120,622</u>	<u>\$ 105,484</u>	<u>\$ 223,018</u>	<u>\$ 449,124</u>

See accompanying notes to financial statements.

Village of Forestville
Combined Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual -
General and Special Revenue Fund Types
For the Year Ended February 29, 2004

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Revenues</u>			
Taxes and special assessments	\$ 69,400	\$ 66,295	\$ (3,105)
Licenses and permits	100	300	200
State shared revenue	12,000	11,104	(896)
Interest	200	672	472
Other	0	8,643	8,643
Total revenues	<u>81,700</u>	<u>87,014</u>	<u>5,314</u>
<u>Expenditures</u>			
Legislative	17,000	18,559	(1,559)
General government	25,300	30,916	(5,616)
Public safety	4,803	2,976	1,827
Public works	7,000	12,006	(5,006)
Other	9,500	9,365	135
Capital outlay	5,000	15,673	(10,673)
Total expenditures	<u>68,603</u>	<u>89,495</u>	<u>(20,892)</u>
Excess of revenues over (under) expenditures	<u>13,097</u>	<u>(2,481)</u>	<u>(15,578)</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	0	88,602	88,602
Operating transfers out	0	0	0
Total other financing sources (uses)	<u>0</u>	<u>88,602</u>	<u>88,602</u>
Excess of revenues and other financing sources over expenditures and other financing uses	13,097	86,121	73,024
Fund Balances, March 1, 2003	<u>34,501</u>	<u>34,501</u>	<u>0</u>
Fund Balances, February 29, 2004	<u>\$ 47,598</u>	<u>\$ 120,622</u>	<u>\$ 73,024</u>

See accompanying notes to financial statements.

Special Revenue Funds

<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
\$ 0	\$ 0	\$ 0
0	0	0
24,850	25,936	1,086
600	991	391
0	11,845	11,845
<u>25,450</u>	<u>38,772</u>	<u>13,322</u>
0	0	0
0	0	0
0	0	0
24,300	27,099	(2,799)
0	0	0
0	0	0
<u>24,300</u>	<u>27,099</u>	<u>(2,799)</u>
<u>1,150</u>	<u>11,673</u>	<u>10,523</u>
1,850	1,850	0
<u>(1,850)</u>	<u>(1,850)</u>	<u>0</u>
<u>0</u>	<u>0</u>	<u>0</u>
1,150	11,673	10,523
<u>93,811</u>	<u>93,811</u>	<u>0</u>
<u>\$ 94,961</u>	<u>\$ 105,484</u>	<u>\$ 10,523</u>

Village of Forestville
Statement of Revenues, Expenses,
and Changes in Retained Earnings - Proprietary Fund Type
For the Year Ended February 29, 2004

	<u>Sewer Fund</u>
<u>Operating Revenues</u>	
Charges for services	
Miscellaneous	\$ 57,927
Total operating revenues	<u>11,615</u>
	<u>69,542</u>
<u>Operating Expenses</u>	
Depreciation	
Personnel services	60,407
Repairs and maintenance	10,679
Supplies	4,340
Utilities	3,463
Professional services	1,470
Total operating expenses	<u>150</u>
	<u>80,509</u>
Operating income (loss)	<u>(10,967)</u>
<u>Nonoperating Revenues (Expenses)</u>	
Interest income	
Interest expense and fees	1,168
Total nonoperating revenues (expenses)	<u>(23,396)</u>
	<u>(22,228)</u>
Net income (loss)	<u>(33,195)</u>
Add: Contributed capital depreciation	<u>48,125</u>
Increase in retained earnings	14,930
Retained Earnings, beginning of year	<u>80,168</u>
Retained Earnings, end of year	<u>\$ 95,098</u>

See accompanying notes to financial statements.

Village of Forestville
Statement of Cash Flows - Proprietary Fund Type
For the Year Ended February 29, 2004

	<u>Sewer Fund</u>
<u>Cash Flows From Operating Activities</u>	
Operating income (loss)	\$ (10,967)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	60,407
Changes in operating assets and liabilities:	
Accounts receivable	736
Accrued liabilities	88
Deferred revenue	1,314
Net cash provided by operating activities	<u>51,578</u>
<u>Cash Flows From Noncapital Financing Activities</u>	
Purchase of fixed assets	<u>(11,274)</u>
<u>Cash Flows From Capital and Related Financing Activities</u>	
Principal paid on bonds	(5,000)
Interest paid on bonds	(23,396)
Net cash used by capital and related financing activities	<u>(28,396)</u>
<u>Cash Flows From Investing Activities</u>	
Interest received on investments	<u>729</u>
Net increase in cash and investments	12,637
Cash and cash equivalents - beginning of year	(170)
Cash and cash equivalents - end of year	<u>\$ 12,467</u>
<u>Reconciliation to the Combined Balance Sheet</u>	
Cash and cash equivalents (per above)	\$ 12,467
Investments	<u>92,396</u>
Balance per Combined Balance Sheet	<u>\$ 104,863</u>

See accompanying notes to financial statements.

VILLAGE OF FORESTVILLE
Notes to Financial Statements
For the Year Ended February 29, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The general purpose financial statements of the Village of Forestville (Village) contain all the Village funds that are controlled by or dependent on the Village's executive or legislative branches. The Village has no component units.

The following is a summary of the Village's more significant accounting policies:

Fund Accounting

The accounts of the Village are organized on the basis of funds each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into fund types and account groups as follows:

Governmental Funds

General Fund - This fund is the general operating fund of the Village. It is used to account for all financial transactions except those required to be accounted for in another fund.

Special Revenue Funds - These funds are used to account for the specific revenue sources (other than special assessments) that require separate accounting because of legal or regulatory provisions or administrative action.

Capital Projects Funds - Capital Projects Funds are used to account for the recording of transactions relative to the Village water restoration project.

Proprietary Fund

Enterprise Fund - This fund reports operations that provide services which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes.

Fiduciary Fund

Tax Collection Fund - This fund is used to account for taxes collected as an agent for others.

Account Group

The account group is used to account for long-term debt which is not reported in the respective governmental funds.

VILLAGE OF FORESTVILLE
Notes to Financial Statements
For the Year Ended February 29, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The financial activity of the Agency Funds is limited to collection of amounts which are subsequently returned or paid to third parties and, accordingly, are limited to cash transactions. All governmental funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Modifications in such method from the accrual basis are as follows:

1. Property taxes and other revenue that are both measurable and available for use to finance operations are recorded as revenue when earned. Other revenue is recorded when received.

Properties are assessed as of December 31 and the related property taxes become a lien on July 1 of the following year. These taxes are due on September 15 before they are added to the County tax rolls.

2. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
3. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
4. Normally, expenditures are not divided between years by the recording of prepaid expenses.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Budgetary Policies and Data

The Village adopts budgets for the General Fund and Special Revenue Funds. The budgets of the Village are prepared on the same basis of accounting as the financial statement presentation. The budgets were adopted to the activity level.

Budgets consist only of those amounts contained in the formal budget approved and amended by the Village Council. All budget appropriations lapse at year end and, therefore, cancels all encumbrances.

Total Column on Combined Statements

Total columns on the combined statements are captioned Memorandum Only to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position or results of operations in conformity with U.S. generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

VILLAGE OF FORESTVILLE
Notes to Financial Statements
For the Year Ended February 29, 2004

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The process of preparing financial statements in conformity with U.S. generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Cash and Cash Equivalents

All short-term investments that are highly liquid and have an original maturity of three months or less are considered to be cash equivalents.

Investments

Investments, which consist of municipal investment funds, are stated at fair value.

Restricted Assets – Investments

Certain cash accounts are classified as restricted assets on the balance sheet because their use is limited. In the Enterprise Fund, the Bond Reserve account, which is used for the payment of debt obligations in case of default, is restricted for this use.

Fixed Assets

Fixed assets are stated at cost. Donated fixed assets are recorded at their fair value on the date donated.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on the proprietary fund balance sheet. Depreciation has been provided over the estimated useful lives using the straight-line method.

The estimated useful lives are as follows:

Plant and facilities

20-50 years

Interfund Transfers

During the course of normal operations, the Village has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying general purpose financial statements generally reflect such transactions as operating transfers. Operating subsidies are also recorded as operating transfers. The classification of amounts recorded as transfers, subsidies and advances is determined by Village management.

VILLAGE OF FORESTVILLE
Notes to Financial Statements
For the Year Ended February 29, 2004

NOTE 1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Proprietary Fund Governance

In accordance with Governmental Accounting Standards Board Statement No. 20, the Village has elected not to apply the Financial Accounting Standards Board statements and interpretations issued after November 30, 1989 to its proprietary fund type.

NOTE 2 - OMITTED FUND

General fixed assets purchased are recorded as expenditures in the governmental funds at time of purchase. The Village has not maintained a complete record of its General Fixed Assets as required by U.S. generally accepted accounting principles. Accordingly, this fund has not been included in the financial statements.

NOTE 3 - CASH AND INVESTMENTS

Cash

Deposits - At February 29, 2004, the carrying amount of the Village's deposits (checking accounts, etc.) was \$259,479 with a corresponding bank balance of \$275,622. The amount covered by the FDIC was \$192,718. The difference in the carrying amount to the corresponding bank amount is due to deposits in transit and outstanding checks at February 29, 2004.

Investments

The Village of Forestville has adopted a formal investment policy consistent with that authorized by Michigan Law. The Village has generally invested in time certificates, common trust funds, commercial paper maturing not later than 270 days after the date of purchase classified within the two highest rate classifications by at least two rating services, repurchase agreements secured by U.S. Treasury Bills and other federal obligations. The carrying value of the investments approximates market value.

VILLAGE OF FORESTVILLE
Notes to Financial Statements
For the Year Ended February 29, 2004

NOTE 3 - CASH AND INVESTMENTS (CONTINUED)

There are three categories of credit risk that apply to the Village's investments:

- (1) Insured or registered; or securities held by the Village or the Village's Agent in the Village's name.
- (2) Uninsured and unregistered, with securities held by the dealer's trust department or its agent in the Village's name.
- (3) Uninsured and unregistered, with securities held by the dealer or the dealer's trust department or agent but not in the Village's name.

Investments not subject to credit risk classification:

Municipal investment funds

\$ 312,255

NOTE 4 - FIXED ASSETS

The following is a summary of fixed asset transactions of the Proprietary Fund of the Village for the year ended February 29, 2004:

	Balance March 1, 2003	Additions	Deletions	Balance February 29, 2004
Sewage disposal system	\$ 2,405,000	\$ 11,274	\$ 0	\$ 2,416,274
Accumulated depreciation	(300,625)	(60,407)	0	(361,032)
Totals	<u>\$ 2,104,375</u>	<u>\$ (49,133)</u>	<u>\$ 0</u>	<u>\$ 2,055,242</u>

VILLAGE OF FORESTVILLE
Notes to Financial Statements
For the Year Ended February 29, 2004

NOTE 5 - LONG-TERM DEBT

The following is a summary of long-term debt transactions of the Village for the year ended February 29, 2004:

	Debt Payable March 1, 2003	Debt Issued	Retired	Debt Payable February 29, 2004
<u>Enterprise Fund</u>				
Sewage Disposal System				
Revenue Bonds,				
Series 1996	<u>\$ 459,000</u>	<u>\$ 0</u>	<u>\$ 5,000</u>	<u>\$ 454,000</u>
<u>Long-Term Debt Account Group</u>				
Bond Anticipation Notes	<u>\$ 0</u>	<u>\$ 300,000</u>	<u>\$ 0</u>	<u>\$ 300,000</u>

The 1996 sewage disposal revenue bonds bear interest at 5.125%, and are due serially through 2036. The principal and interest are to be paid from the net revenues from the sewage system.

The 2003 bond anticipation note bears interest at 3.8%, and is due on July 1, 2004. The principal and interest are to be paid from USDA Rural Development Bonds relating to the Water Restoration Project.

The annual requirements to amortize the bonds and notes payable as of February 29, 2004, excluding interest payments, are as follows:

<u>Year Ended February 28,</u>	<u>Principal</u>
2005	\$ 305,000
2006	6,000
2007	6,000
2008	6,000
2009	7,000
Thereafter	<u>424,000</u>
	<u><u>\$ 754,000</u></u>

VILLAGE OF FORESTVILLE
Notes to Financial Statements
For the Year Ended February 29, 2004

NOTE 6 – FUND EQUITY – RESERVED

As of February 29, 2004, reserved fund balances consist of the following:

Capital Projects Fund:	
Water Restoration Project	\$ 223,018
Enterprise Fund:	
Reserved for bond payments	<u>40,285</u>
	<u>\$ 263,303</u>

NOTE 7 – CONTRIBUTED CAPITAL

The following is a summary of changes in contributed capital for the year ended February 29, 2004:

	<u>Sewer Fund</u>
Balance - March 1, 2003	\$ 1,684,375
Less: depreciation on fixed assets	<u>(48,125)</u>
Balance - February 29, 2004	<u>\$ 1,636,250</u>

NOTE 8 – RISK MANAGEMENT

The Village is exposed to various risks of loss related to claims, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village purchases commercial insurance to provide for these risks.

There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

VILLAGE OF FORESTVILLE
Notes to Financial Statements
For the Year Ended February 29, 2004

NOTE 9 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

P.A. 621 of 1978, Section 18(1), as amended, provides that local units shall not incur expenditures in excess of the amount appropriated.

In the body of the financial statements, the Village's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis.

During the year ended February 29, 2004, the Village incurred expenditures in certain budgetary funds which were in excess of the amounts appropriated as follows:

<u>Total Fund/Function</u>	<u>Appropriations</u>	<u>Amount of Expenditures</u>	<u>Budget Variance</u>
General Fund			
Village council	\$ 17,000	\$ 18,559	\$ (1,559)
General government	25,300	30,916	(5,616)
Public works	7,000	12,006	(5,006)
Capital outlay	5,000	15,673	(10,673)
Major Street Fund			
Public works	10,225	10,239	(14)
Local Street Fund			
Public works	14,075	16,860	(2,785)

REPORT ON OTHER DATA

October 6, 2004

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund financial statements, pages 16 through 19, are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the Village of Forestville, Forestville, Michigan. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

Weinlander Fitzhugh

Village of Forestville
General Fund
Statement of Revenues, Expenditures and Changes in
Fund Balance - Budget and Actual
For the Year Ended February 29, 2004

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Favorable (Unfavorable)</u>
<u>Property Taxes</u>			
Current taxes	\$ 69,400	\$ 66,295	\$ (3,105)
<u>Licenses and Permits</u>			
Building permits	100	300	200
<u>Intergovernmental</u>			
State shared revenue	12,000	11,104	(896)
<u>Other Revenue</u>			
Interest	200	672	472
Miscellaneous	0	8,643	8,643
	<u>200</u>	<u>9,315</u>	<u>9,115</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfers in	0	88,602	88,602
Total revenues	81,700	175,616	93,916
Expenditures	<u>68,603</u>	<u>89,495</u>	<u>(20,892)</u>
Excess of revenues and other financing sources over expenditures	13,097	86,121	73,024
Fund Balance, March 1, 2003	<u>34,501</u>	<u>34,501</u>	<u>0</u>
Fund Balance, February 29, 2004	<u>\$ 47,598</u>	<u>\$ 120,622</u>	<u>\$ 73,024</u>

Village of Forestville
General Fund
Statement of Expenditures - Budget and Actual
For the Year Ended February 29, 2004

	<u>Budget</u>	<u>Actual</u>	Variance - Favorable (Unfavorable)
<u>Legislative</u>			
Village council	\$ 17,000	\$ 18,559	\$ (1,559)
<u>General Government</u>			
Travel	1,000	546	454
Payroll taxes	2,100	1,491	609
Printing and publishing	2,000	660	1,340
Elections	1,000	33	967
Operating supplies	1,200	2,337	(1,137)
Contracted services	6,000	9,776	(3,776)
Utilities	9,000	8,071	929
Building and grounds	1,500	2,579	(1,079)
Other	1,500	5,423	(3,923)
	<u>25,300</u>	<u>30,916</u>	<u>(5,616)</u>
<u>Public Safety</u>			
Fire protection	2,000	2,000	0
Ambulance	153	153	0
Zoning	2,650	823	1,827
	<u>4,803</u>	<u>2,976</u>	<u>1,827</u>
<u>Public Works</u>			
Garbage collection	7,000	7,065	(65)
Water	0	4,941	(4,941)
	<u>7,000</u>	<u>12,006</u>	<u>(5,006)</u>
<u>Other</u>			
Insurance	9,500	9,365	135
<u>Capital Outlay</u>	5,000	15,673	(10,673)
Total expenditures	<u>\$ 68,603</u>	<u>\$ 89,495</u>	<u>\$ (20,892)</u>

Village of Forestville
Special Revenue Funds
Combining Balance Sheet
February 29, 2004

<u>ASSETS</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total</u>
Cash and investments	\$ 53,832	\$ 46,829	\$ 100,661
Due from state	2,290	2,533	4,823
Total Assets	<u>\$ 56,122</u>	<u>\$ 49,362</u>	<u>\$ 105,484</u>

LIABILITIES AND FUND BALANCE

<u>Fund Balance</u>	<u>\$ 56,122</u>	<u>\$ 49,362</u>	<u>\$ 105,484</u>
Total Liabilities and Fund Balance	<u>\$ 56,122</u>	<u>\$ 49,362</u>	<u>\$ 105,484</u>

Village of Forestville
Special Revenue Funds
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended February 29, 2004

	Major Street	Local Street	Total
<u>Revenues</u>			
State shared revenue	\$ 12,337	\$ 13,599	\$ 25,936
Interest	552	439	991
Other	1,778	10,067	11,845
Total revenues	<u>14,667</u>	<u>24,105</u>	<u>38,772</u>
<u>Expenditures</u>			
Public works	<u>10,239</u>	<u>16,860</u>	<u>27,099</u>
Excess of revenues over expenditures	<u>4,428</u>	<u>7,245</u>	<u>11,673</u>
<u>Other Financing Sources (Uses)</u>			
Operating transfer in	0	1,850	1,850
Operating transfer out	(1,850)	0	(1,850)
Total other financing sources (uses)	<u>(1,850)</u>	<u>1,850</u>	<u>0</u>
Revenues and other financing sources over expenditures and other financing uses	2,578	9,095	11,673
Fund Balance, March 1, 2003	<u>53,544</u>	<u>40,267</u>	<u>93,811</u>
Fund Balance, February 29, 2004	<u>\$ 56,122</u>	<u>\$ 49,362</u>	<u>\$ 105,484</u>



WEINLANDER FITZHUGH

CERTIFIED PUBLIC ACCOUNTANTS
& CONSULTANTS

October 6, 2004

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Village Council
Village of Forestville
Forestville, Michigan

We have audited the general purpose financial statements of the Village of Forestville, Michigan as of and for the year ended February 29, 2004, which collectively comprise the Village's general purpose financial statements and have issued our report thereon dated October 6, 2004. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level of risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

1600 CENTER AVENUE
POST OFFICE BOX 775
BAY CITY, MI 48707-0775
989-893-5577
800-624-2400
FAX 989-895-5842
www.wf-cpas.com
wf@wf-cpas.com

OFFICES: BAY CITY, CLARE
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An Independently Owned Member



WEINLANDER FITZHUGH

Village Council
Village of Forestville
October 6, 2004

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Village Council, management and related regulatory agencies and federal awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Weinlander Fitzhugh